

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Bear Lake	County Kalkaska
Audit Date March 31, 2006	Opinion Date June 14, 2006	Date Accountant Report Submitted to State: July 12, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 14, 2006

To the Township Board
Township of Bear Lake
Kalkaska County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Bear Lake, Kalkaska County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bear Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Bear Lake, Kalkaska County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2006

This section of the Township of Bear Lake's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$1,510,583.68 for governmental activities. Of this total, \$831,666.71 represents capital assets net of depreciation and related debt. Overall, net assets increased by \$321,020.44 from the prior year.

Overall revenues were \$597,678.61. Overall expenses were \$560,183.83.

The tax base increased by 3%.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These would include the General Fund, Fire Fund, Rescue Fund, and Gypsy Moth Fund.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include: General Fund, Fire Fund, Rescue Fund, and Gypsy Moth Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased \$321,020.44 during the year ended March 31, 2006, totaling \$1,510,583.68

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include legislative, administrative, elections, public safety, public works, and building and grounds. The major source of revenue for the general fund is from the property tax base and the revenue sharing from the State of Michigan.

Fire, Gypsy Moth, and Rescue Funds: These funds are used to record revenues and expenses for the fire protection, gypsy moth control and rescue vehicle operation.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Additions to the Township's governmental fund capital assets for this year totaled \$304,000.00.

The note payments on long-term debt for this fiscal year totaled \$40,746.32 (\$36,321.71 principal and \$4,424.61 interest).

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township's plans for the future include improvements to road endings, remodeling of office, kitchen, bathrooms, continuation of yearly clean-up day for Township residents.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any question concerning this report, please contact Carol Rosenberg, Clerk by calling (231)258-4871 any time Monday through Friday.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	754 782 81
Taxes receivable	<u>19 826 47</u>
Total Current Assets	<u>774 609 28</u>
NONCURRENT ASSETS:	
Capital Assets	1 439 303 00
Less: Accumulated Depreciation	<u>(396 451 00)</u>
Net Capital assets	<u>1 042 852 00</u>
TOTAL ASSETS	<u>1 817 461 28</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>95 692 31</u>
Total Current Liabilities	<u>95 692 31</u>
NONCURRENT LIABILITIES	
Note payable	<u>211 185 29</u>
Total Noncurrent Liabilities	<u>211 185 29</u>
Total Liabilities	<u>306 877 60</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	831 666 71
Unrestricted	<u>678 916 97</u>
Total Net Assets	<u>1 510 583 68</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 817 461 28</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	26 546 50	-	(26 546 50)
General government	133 938 85	18 061 18	(115 877 67)
Public safety	107 087 09	-	(107 087 09)
Public works	4 661 12	6 780 82	2 119 70
Interest on long-term debt	4 424 61	-	(4 424 61)
Total Governmental Activities	<u>276 658 17</u>	<u>24 842 00</u>	<u>(251 816 17)</u>
General Revenues:			
Property taxes			163 799 77
Other taxes- swamp			19 224 45
State revenue sharing			53 205 15
Interest			19 163 38
Miscellaneous			317 443 86
Total General Revenues			<u>572 836 61</u>
Change in net assets			321 020 44
Net assets, beginning of year			<u>1 189 563 24</u>
Net Assets, End of Year			<u>1 510 583 68</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Gypsy Moth</u>	<u>Other Funds</u>
<u>Assets</u>				
Cash in bank	329 425 14	287 412 22	97 807 70	38 366 87
Taxes receivable	7 370 96	10 332 19	-	2 123 32
Due from other funds	<u>1 770 88</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>338 566 98</u>	<u>297 744 41</u>	<u>97 807 70</u>	<u>40 490 19</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>13 255 21</u>	<u>82 437 10</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>13 255 21</u>	<u>82 437 10</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>325 311 77</u>	<u>215 307 31</u>	<u>97 807 70</u>	<u>40 490 19</u>
Total fund equity	<u>325 311 77</u>	<u>215 307 31</u>	<u>97 807 70</u>	<u>40 490 19</u>
Total Liabilities and Fund Equity	<u>338 566 98</u>	<u>297 744 41</u>	<u>97 807 70</u>	<u>40 490 19</u>

The accompanying notes are an integral part of these financial statements.

Total

753 011 93

19 826 47

1 770 88

744 609 28

95 692 31

95 692 31

678 916 97

678 916 97

774 609 28

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	678 916 97
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 439 303 00
Accumulated depreciation	(396 451 00)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(211 185 29)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 510 583 68</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Gypsy Moth</u>	<u>Other Funds</u>
Revenues:				
Property taxes	46 902 46	99 351 45	-	17 545 86
Special assessments	6 780 82	-	-	-
Other taxes- swamp	19 224 45	-	-	-
Charges for services- PTAF	18 061 18	-	-	-
State revenue sharing	53 205 15	-	-	-
Interest	12 637 06	3 649 74	2 151 97	724 61
Miscellaneous	14 598 33	302 845 53	-	-
Total revenues	<u>171 409 45</u>	<u>405 846 72</u>	<u>2 151 97</u>	<u>18 270 47</u>
Expenditures:				
Legislative:				
Township Board	26 546 50	-	-	-
General government:				
Supervisor	16 103 69	-	-	-
Elections	3 242 39	-	-	-
Assessor	16 823 99	-	-	-
Clerk	15 354 65	-	-	-
Board of Review	999 53	-	-	-
Treasurer	21 329 70	-	-	-
Building and grounds	42 681 73	-	-	-
Unallocated	6 706 17	-	-	-
Public safety:				
Fire protection	-	46 082 75	-	-
Rescue	-	-	-	14 905 34
Public works:				
Highways and streets	4 661 12	-	-	-
Capital outlay	29 000 00	275 000 00	-	-
Debt service	-	40 746 32	-	-
Total expenditures	<u>183 449 47</u>	<u>361 829 07</u>	<u>-</u>	<u>14 905 34</u>
Excess (deficiency) of revenues over expenditures	(12 040 02)	44 017 65	2 151 97	3 365 13
Fund balances, April 1	<u>337 351 79</u>	<u>171 289 66</u>	<u>95 655 73</u>	<u>37 125 06</u>
Fund Balances, March 31	<u>325 311 77</u>	<u>215 307 31</u>	<u>97 807 70</u>	<u>40 490 19</u>

The accompanying notes are an integral part of these financial statements.

Total

163 799 77
6 780 82
19 224 45
18 061 18
53 205 15
19 163 38
317 443 86

597 678 61

26 546 50

16 103 69
3 242 39
16 823 99
15 354 65
999 53
21 329 70
42 681 73
6 706 17

46 082 75
14 905 34

4 661 12
304 000 00
40 746 32

560 183 88

37 494 73

641 422 24

678 916 97

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 37 494 73

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(56 796 00)
Capital Outlay	304 000 00

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>36 321 71</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>321 020 44</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bear Lake, Kalkaska County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bear Lake. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 2.2171 mills, and the taxable value was \$49,820,035.00.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-40 years
Equipment	5-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$1,042,852.00.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>754 782 81</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	387 530 20
Uninsured and Uncollateralized	<u>373 173 64</u>
Total Deposits	<u>760 703 84</u>

The Township of Bear Lake did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	462 330 00	-	-	462 330 00
Buildings and improvements	247 000 00	254 000 00	-	501 000 00
Equipment	<u>425 973 00</u>	<u>50 000 00</u>	-	<u>475 973 00</u>
Total	1 135 303 00	304 000 00	-	1 439 303 00
Accumulated Depreciation	<u>(339 655 00)</u>	<u>(56 796 00)</u>	-	<u>(396 451 00)</u>
Net Capital Assets	<u>795 648 00</u>	<u>247 204 00</u>	-	<u>1 042 852 00</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Bear Lake does not issue building permits. Building permits are issued by the County of Kalkaska.

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 770 88</u>	Current Tax Collection	<u>1 770 88</u>
Total	<u>1 770 88</u>	Total	<u>1 770 88</u>

Note 10 – Note Payable- Fire Truck

On February 4, 2005, the Township obtained a loan in the amount of \$247,507.00 to finance the acquisition of a fire pumper truck. The agreement requires seven annual payments of \$40,746.32 including interest. As of March 31, 2006 the outstanding principal balance was \$211,185.29.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
7-4-06	31 559 76	9 186 56	40 746 32
7-4-07	32 932 61	7 813 71	40 746 32
7-4-08	34 365 18	6 381 14	40 746 32
7-4-09	35 860 06	4 886 26	40 746 32
7-4-10	37 419 98	3 326 34	40 746 32
7-4-11	<u>39 047 70</u>	<u>1 698 62</u>	<u>40 746 32</u>
Totals	<u>211 185 29</u>	<u>33 292 63</u>	<u>244 477 92</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	44 000 00	44 000 00	46 902 46	2 902 46
Special assessments	2 600 00	2 600 00	6 780 82	4 180 82
Other taxes- swamp	19 224 00	19 224 00	19 224 45	45
Charges for services- PTAF	17 650 00	17 650 00	18 061 18	411 18
State revenue sharing	51 000 00	51 000 00	53 205 15	2 205 15
Interest	5 800 00	5 800 00	12 637 06	6 837 06
Miscellaneous	16 705 00	16 705 00	14 598 33	(2 106 67)
Total revenues	<u>156 979 00</u>	<u>156 979 00</u>	<u>171 409 45</u>	<u>14 430 45</u>
Expenditures:				
Legislative:				
Township Board	30 450 00	30 450 00	26 546 50	(3 903 50)
General government:				
Supervisor	17 200 00	17 200 00	16 103 69	(1 096 31)
Elections	5 000 00	5 000 00	3 242 39	(1 757 61)
Assessor	18 100 00	18 100 00	16 823 99	(1 276 01)
Clerk	16 950 00	16 950 00	15 354 65	(1 595 35)
Board of Review	1 550 00	1 550 00	999 53	(550 47)
Treasurer	25 200 00	25 200 00	21 329 70	(3 870 30)
Building and grounds	43 000 00	43 000 00	42 681 73	(318 27)
Unallocated	7 000 00	7 000 00	6 706 17	(293 83)
Public works:				
Highways and streets	5 000 00	5 000 00	4 661 12	(338 88)
Capital outlay	<u>29 000 00</u>	<u>29 000 00</u>	<u>29 000 00</u>	<u>-</u>
Total expenditures	<u>198 450 00</u>	<u>198 450 00</u>	<u>183 449 47</u>	<u>(15 000 53)</u>
Excess (deficiency) of revenues over expenditures	<u>(41 471 00)</u>	<u>(41 471 00)</u>	<u>(12 040 02)</u>	<u>29 430 98</u>
Fund balance, April 1	<u>41 471 00</u>	<u>41 471 00</u>	<u>337 351 79</u>	<u>295 880 79</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>325 311 77</u>	<u>325 311 77</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	96 800 00	96 800 00	99 351 45	2 551 45
Interest	900 00	900 00	3 649 74	2 749 74
Miscellaneous	<u>277 000 00</u>	<u>277 000 00</u>	<u>302 845 53</u>	<u>25 845 53</u>
Total revenues	<u>374 700 00</u>	<u>374 700 00</u>	<u>405 846 72</u>	<u>31 146 72</u>
Expenditures:				
Public safety:				
Fire protection	55 900 00	55 900 00	46 082 75	(9 817 25)
Capital outlay	275 000 00	275 000 00	275 000 00	-
Debt service	<u>48 800 00</u>	<u>48 800 00</u>	<u>40 746 32</u>	<u>(8 053 68)</u>
Total expenditures	<u>379 700 00</u>	<u>379 700 00</u>	<u>361 829 07</u>	<u>(17 870 93)</u>
Excess (deficiency) of revenues over expenditures	<u>(5 000 00)</u>	<u>(5 000 00)</u>	<u>44 017 65</u>	<u>49 017 65</u>
Fund balance, April 1	<u>5 000 00</u>	<u>5 000 00</u>	<u>171 289 66</u>	<u>166 289 66</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>215 307 31</u>	<u>215 307 31</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – GYPSY MOTH FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>-</u>	<u>-</u>	<u>2 151 97</u>	<u>2 151 97</u>
Total revenues	<u>-</u>	<u>-</u>	<u>2 151 97</u>	<u>2 151 97</u>
Expenditures:				
Public safety:				
Gypsy moth	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2 151 97</u>	<u>2 151 97</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>95 655 73</u>	<u>95 655 73</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>97 807 70</u>	<u>97 807 70</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2006

Township Board:	
Salaries and wages	6 720 00
Payroll taxes	546 29
Hospital subsidy	489 00
Legal	1 789 09
Printing and publishing	1 101 44
Dues	842 30
Contracted services	14 945 79
Miscellaneous	112 59
	<u>26 546 50</u>
Supervisor:	
Salary	14 865 00
Payroll taxes	1 140 64
Supplies	98 05
	<u>16 103 69</u>
Elections:	
Salaries	1 487 50
Payroll taxes	52 23
Contracted services	797 50
Miscellaneous	905 16
	<u>3 242 39</u>
Assessor:	
Contracted services	13 750 00
Supplies	767 43
Miscellaneous	2 306 56
	<u>16 823 99</u>
Clerk:	
Salary	13 345 00
Payroll taxes	1 027 40
Supplies	622 35
Mileage	359 90
	<u>15 354 65</u>
Board of Review:	
Salaries	930 00
Payroll taxes	30 53
Miscellaneous	39 00
	<u>999 53</u>
Treasurer:	
Salary	15 347 46
Payroll taxes	1 225 76
Supplies	3 024 88
Mileage	876 90
Miscellaneous	854 70
	<u>21 329 70</u>
Building and grounds:	
Supplies	4 762 95
Contracted services	3 850 00
Insurance	9 683 00
Repairs and maintenance	4 531 71
Utilities	6 614 07
Miscellaneous	13 239 96
	<u>42 681 69</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2006

Highways and streets:	
Repairs and maintenance	<u>4 661 12</u>
Unallocated:	
Miscellaneous	<u>6 706 17</u>
Capital outlay	<u>29 000 00</u>
Total Expenditures	<u><u>183 449 43</u></u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2006

	<u>Fire</u>	<u>Gypsy Moth</u>	<u>Rescue</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	287 412 22	97 807 70	38 366 87	423 586 79
Taxes receivable	<u>10 332 19</u>	<u>-</u>	<u>2 123 32</u>	<u>12 455 51</u>
Total Assets	<u>297 744 41</u>	<u>97 807 70</u>	<u>40 490 19</u>	<u>436 042 30</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	<u>82 437 10</u>	<u>-</u>	<u>-</u>	<u>82 437 10</u>
Total liabilities	<u>82 437 10</u>	<u>-</u>	<u>-</u>	<u>82 437 10</u>
Fund balances:				
Unreserved:				
Undesignated	<u>215 307 31</u>	<u>97 807 70</u>	<u>40 490 19</u>	<u>353 605 20</u>
Total Liabilities and Fund Balances	<u>297 744 41</u>	<u>97 807 70</u>	<u>40 490 19</u>	<u>436 042 30</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year Ended March 31, 2006

	<u>Fire</u>	<u>Gypsy Moth</u>	<u>Rescue</u>	<u>Total</u>
Revenues:				
Property taxes	99 351 45	-	17 545 86	116 897 31
Interest	3 649 74	2 151 97	724 61	6 526 32
Miscellaneous	<u>302 845 53</u>	<u>-</u>	<u>-</u>	<u>302 845 53</u>
Total revenues	<u>405 846 72</u>	<u>2 151 97</u>	<u>18 270 47</u>	<u>426 269 16</u>
Expenditures:				
Public safety:				
Fire protection:				
Wages	9 775 00	-	-	9 775 00
Payroll taxes	747 78	-	-	747 78
Supplies	4 816 09	-	-	4 816 09
Contracted services	2 763 50	-	-	2 763 50
Insurance	6 891 00	-	-	6 891 00
Utilities	2 123 86	-	-	2 123 86
Repairs and maintenance	18 772 52	-	-	18 772 52
Miscellaneous	193 00	-	-	193 00
Rescue:				
Insurance	-	-	4 200 00	4 200 00
Supplies	-	-	1 133 74	1 133 74
Contracted services	-	-	5 320 00	5 320 00
Utilities	-	-	807 00	807 00
Repairs and maintenance	-	-	3 444 60	3 444 60
Gypsy moth:				
Contracted services	-	-	-	-
Capital outlay	275 000 00	-	-	275 000 00
Debt service	<u>40 746 32</u>	<u>-</u>	<u>-</u>	<u>40 746 32</u>
Total expenditures	<u>361 829 07</u>	<u>-</u>	<u>14 905 34</u>	<u>376 734 41</u>
Excess (deficiency) of revenues over expenditures	44 017 65	2 151 97	3 365 13	49 534 75
Fund balances, April 1	<u>171 289 66</u>	<u>95 655 73</u>	<u>37 125 06</u>	<u>304 070 45</u>
Fund Balances, March 31	<u>215 307 31</u>	<u>97 807 70</u>	<u>40 490 19</u>	<u>353 605 20</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>CURRENT TAX</u> <u>COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	<u>1 165 33</u>	<u>1 744 536 68</u>	<u>1 739 739 22</u>	<u>5 962 79</u>
Total Assets	<u>1 165 33</u>	<u>1 744 536 68</u>	<u>1 739 739 22</u>	<u>5 962 79</u>
<u>Liabilities</u>				
Due to other funds	<u>631 97</u>	<u>186 826 40</u>	<u>185 687 48</u>	<u>1 770 88</u>
Due to others	<u>533 36</u>	<u>1 557 710 28</u>	<u>1 554 051 73</u>	<u>4 191 91</u>
Total Liabilities	<u>1 165 33</u>	<u>1 744 536 68</u>	<u>1 739 739 22</u>	<u>5 962 79</u>

TOWNSHIP OF BEAR LAKE
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2006

Cash in bank – beginning of year	<u>1 165 33</u>
Receipts:	
Taxes	1 727 652 94
Property tax administration fees	<u>16 883 74</u>
Total receipts	<u>1 744 536 68</u>
Total beginning balance and cash receipts	<u>1 745 702 01</u>
Disbursements:	
Township General Fund	72 106 42
Township Fire Fund	96 804 67
Township Rescue Fund	16 776 40
Kalkaska Public Transit	11 124 04
Kalkaska Public Schools	560 780 33
Crawford Ausable School District	151 190 25
Kirtland Community College	22 220 81
COOR Intermediate School District	8 749 18
TBA Intermediate School District	109 838 34
Kalkaska County	607 151 06
Kalkaska Memorial Health Center	77 331 74
Refunds	<u>5 665 98</u>
Total disbursements	<u>1 739 739 22</u>
Cash in Bank – End of Year	<u><u>5 962 79</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 14, 2006

To the Township Board
Township of Bear Lake
Kalkaska County, Michigan

We have audited the financial statements of the Township of Bear Lake for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bear Lake in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Bear Lake
Kalkaska County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Bear Lake began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board
Township of Bear Lake
Kalkaska County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants